

**NEW SECTION 22D(4) FUNDS**

As mentioned in the May 2008 UPDATE, the recent FY 2008 state school aid supplemental that was enacted as P.A. 112 of 2008 allocates \$1.3 million in a new Subsection 22d(4) for payments to districts with 5.0 or fewer pupils per square mile and a total area in square miles greater than 200. These funds are to be distributed on a per-pupil basis. The Department has determined that approximately 45 local districts are eligible for the funds. Approximately 35 of those districts are eligible to have their state school aid payments based on a three-year average pupil count as they meet the required criteria established in Section 6(4)(y) of the State School Aid Act. However, language in Section 6(4)(y) states that districts can not qualify for a three-year average blend if they receive funding under Section 22d. Consequently, only those districts that qualify for the Section 22d(4) funds that are not currently paid state school aid on the basis of a three-year average blended pupil count are receiving the Section 22d(4) funds in their June 20, 2008 state school aid payment. Those districts that meet the Section 22d(4) criteria, but are being paid state school aid on the basis of a three-year average blended pupil, will receive the Section 22d(4) funds in a subsequent school aid payment if/when an amendment is passed that allows three-year average blend districts to receive the Section 22d(4) funding. A State School Aid Act amendment has been proposed to allow that beginning in FY 2008; however, that specific amendment is in the state school aid budget bill (SB 1107) for FY 2009. See below for related item on SB 1107.

**FY 2009 SCHOOL AID**

On June 11, 2008 the House passed their version of the FY 2009 state school aid budget. The following are some key points in the House version with comparison to the Governor's Executive Recommendation for FY 2009 and the Senate version (SB 1107) of school aid for FY 2009.

- The minimum foundation grant in FY 2009 would be \$7,314 under the House substitute, an increase of \$110 above the current FY 2008 minimum foundation grant of \$7,204. The Governor recommended a \$216 increase while the Senate proposal is \$142. All three plans call for a sliding-scale increase for districts with a FY 2008 foundation between \$7,204 and \$8,433.
- The House proposal agrees with the **new Section 11n** from the Executive recommendation that would allocate funds for the **21<sup>st</sup> Century Schools fund** to replace large, low achieving high schools with smaller, more personal ones. The Senate version would change the Section 11n language to allocate funds for **infrastructure grants** on a per-pupil basis that could be used to pay down existing debt, pay for immediate building repairs or be deposited into a sinking fund.
- The House proposal would increase the **Michigan School Readiness Program (Section 32d)** by approximately \$25 million over what is currently enacted. The Governor's proposal and the Senate version would increase it by approximately \$22 million and \$4.7 million respectively.
- The House proposal would increase **ISD General Operations (Section 81)** funding by \$809,100 (1%). The Senate version would increase this funding by \$893,000 (1.1%). The Executive Recommendation is for an increase of \$971,000 (1.2%) with an additional \$1.9 million in competitive grants for technical assistance to be used for high schools not achieving adequate yearly progress under the federal No Child Left Behind Act.
- The House plan, the Senate plan and the Executive Recommendation would maintain the **Declining Enrollment (Section 29)** funding at \$20 million.

Key boilerplate language in the Governor's proposal that would require a kindergarten pupil to receive 1,098 hours of pupil instruction in order to generate a full foundation grant beginning in FY 2010 is included in the House version but not in the Senate proposal. Language in the Executive Recommendation that would require a district to offer all four high school grades in order to receive the full foundation allowance increase is not in either of the Senate or House proposals for FY 2009.

The summary provided above should not be considered a complete description of the content of the FY 2009 state school aid budget proposals. Additional information and details on these proposals can be found at [www.house.Michigan.gov](http://www.house.Michigan.gov).

#### **FOURTH INSTALLMENT OF TAX INCREMENT FINANCING AUDIT DEDUCTS**

A number of districts were affected in FY 2005 by Michigan Department of Treasury audits that led to the correction of taxable values related to tax increment financing plans. In some cases, these corrections resulted in state aid reductions to districts that had been overpaid based on the value of the plan reported by the county treasurer prior to the audit. Some districts documented a hardship per the language in Section 15 of the State School Aid Act and were granted an additional year(s) to repay the funds. The first installment of these reductions was reflected in the June 2005 state school aid payment. The fourth installment is reflected in the June 2008 payment. Because these adjustments are made by simply correcting the taxable value of the district for the tax year(s) involved, the state school aid adjustment is labeled "22a XXXX Proposal A Obligation" on the State School Aid Financial Status Report where XXXX represents the applicable fiscal year. Questions related to these reductions should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

#### **FORM DS-4168, REPORT OF DAYS AND CLOCK HOURS OF INSTRUCTION**

The instructions and forms to report the number of days and clock hours of instruction provided during the FY 2008 school year are available on the Department's website. Two copies of the completed form(s) are to be forwarded to the respective Intermediate School District (ISD) by July 18; the ISD is to forward one copy of the districts' forms to the Department by August 1. To access the forms, go to [www.Michigan.gov/mde](http://www.Michigan.gov/mde) and click on "Keywords" then "State Aid Forms." Completion and submission of the DS-4168 with an indication that professional development (PD) time was counted as instructional time will serve as the required notice to the Department that the district has counted PD time as instructional time as allowed under Section 101(10) of the State School Aid Act. With questions related to the DS-4168 contact Joellen Wonsey, State Aid and School Finance, (517) 373-3352, or e-mail: [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov).

#### **SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 15, 2008**

Local districts and public school academies receiving FY 2008 funds under Section 31a At-Risk are required to submit the FY 2008 Section 31a Program Report to the Department by July 15, 2008. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. If the report is not submitted by July 15, an amount equal to the district's Section 31a August installment will be withheld from the August 2008 state aid payment as required by language in Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2008. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or [ThelenJA@Michigan.gov](mailto:ThelenJA@Michigan.gov).

#### **INDIRECT COST RATES**

Adjustments to local and intermediate school district indirect cost rates were due to the Department by June 1, 2008. The process of recalculating rates is nearly complete and final rates will be available on the Department's website before the end of June 2008 at: [http://www.michigan.gov/mde/0,1607,7-140-6530\\_6605-118785--,00.html](http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html). Questions related to the indirect cost rate calculations should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

#### **GENERAL INFORMATION**

- The **Bulletins 1011 and 1014** reflecting local school district **2006-2007** financial information are now available on the MDE website at [www.Michigan.gov](http://www.Michigan.gov). Click on "Programs and Offices", then "State Aid and School Finance" then look under "Publications and Reports." With questions related to the bulletins, contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).
- The **P.A. 63 Consolidation of Services Report** as submitted to the legislature has been posted to the Department's website at: [http://www.michigan.gov/mde/0,7-140-6530\\_6605-159882--,00.html](http://www.michigan.gov/mde/0,7-140-6530_6605-159882--,00.html).
- **Proration factors:** Section 31a – At-Risk funding per pupil proration is \$241.556207094. Section 29 - Declining Enrollment proration is .0819723642. Section 56 – ISD Special Ed Millage Equalization proration is .9855576015.
- The current year **Section 107 Adult Education Allowance** relies on participant counts including those participant FTE counts for April 23, 2008. Districts must forward the April 23<sup>rd</sup> FTE count information to the ISD pupil accounting auditor so that the April FTE count can be submitted along with the February Supplemental count audit.

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid and School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).